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9 IN THE UNITED STATES DISTRICT COURT

10 FOR THE DISTRICT OF OREGON

11 COLLEGENET, INC., a Delaware)
corporation,)

12 Plaintiff,)

13 v.)

14 APPLYYOURSELF, INC., a)
15 Delaware corporation,)

16 Defendant.)
17 _____)

Nos. CV-02-484-HU (LEAD CASE)
CV-02-1359-HU

OPINION & ORDER

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1 - OPINION & ORDER

1 J. Michael Jakes
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7 HUBEL, Magistrate Judge:

8 These consolidated cases involve two patents relating to an
9 on-line application system. Case number CV-02-484-HU concerns
10 plaintiff's patent number 6,345,278 ("the '278 patent"). Case
11 number CV-02-1359-HU concerns plaintiff's patent number 6,460,042
12 ("the '042 patent"). The '042 patent is a continuation patent of
13 the '278 patent.

14 The case went to trial before a jury in September 2003. The
15 jury returned verdicts of infringement on both patents and rejected
16 defendant's claim that the '278 patent was invalid. A judgment,
17 including injunctive relief, was entered on October 15, 2003.

18 The parties filed several post-trial motions. I granted
19 defendant's motion for judgment as a matter of law (JMOL) on the
20 issue of infringement of the '042 patent. I also ordered
21 defendant's previous dismissal of its prior art invalidity
22 counterclaims and defenses directed at the '042 patent, to be
23 without prejudice.

24 The parties appealed various issues to the Federal Circuit
25 which affirmed the majority of my rulings, including that the
26 dismissal of the '042 invalidity counterclaims and defenses was
27 without prejudice. The Federal Circuit reversed a pivotal claim
28 construction which was the basis for my granting defendant's JMOL

1 motion on the issue of infringement of the '042 patent. After
2 construing the claim, the Federal Circuit then concluded that
3 sufficient evidence supported the jury's verdict of infringement of
4 the '042 patent. The Federal Circuit ordered the infringement
5 verdict reinstated.

6 In a November 2005 Opinion & Order, I granted defendant's
7 motion to reinstate the invalidity counterclaims and affirmative
8 defenses directed to the '042 patent. Plaintiff now moves to
9 supplement its Complaint under Federal Rule of Civil Procedure
10 15(d). I grant the motion.

11 STANDARDS

12 Federal Rule of Civil Procedure 15(d) provides that upon
13 motion of a party, the court may permit the party to file a
14 supplemental pleading "setting forth transactions or occurrences or
15 events which have happened since the date of the pleading sought to
16 be supplemented." Fed. R. Civ. P. 15(d).

17 Rule 15(d) is "designed to permit expansion of the scope of
18 existing litigation to include events that occur after the filing
19 of the original complaint." Keith v. Volpe, 858 F.2d 467, 471 (9th
20 Cir. 1988). The goal of the rule is to promote judicial
21 efficiency. Planned Parenthood of S. Ariz. v. Neely, 130 F.3d 400,
22 402 (9th Cir. 1997).

23 District courts have broad discretion in allowing supplemental
24 pleadings. Keith, 858 F.2d at 473. The use of a supplemental
25 pleading is favored, as it promotes judicial economy and
26 convenience. Id. Rule 15(d) is to be liberally construed, absent
27 a showing of prejudice to the defendant. Id. at 475. As the Keith
28 court explained, "[s]o useful they are and of such service in the

1 efficient administration of justice that they ought to be allowed
2 as of course, unless some particular reason for disallowing them
3 appears[.]" Id. at 473 (internal quotation omitted).

4 Finally, both new claims and new parties may be added in a
5 supplemental complaint. Id. at 473-74, 476.

6 DISCUSSION

7 In the proposed Supplemental Complaint, plaintiff seeks to add
8 two new claims. Original Count One raised a claim of patent
9 infringement regarding the '042 patent. Supplemental Count One
10 seeks damages for continued infringement of the '042 patent
11 beginning June 30, 2003, and continuing to the present.
12 Supplemental Count Two seeks enhanced damages for willful
13 infringement beginning August 2, 2005, to the present.

14 As to Supplemental Count One, plaintiff notes that in the
15 stipulated facts recited in the Jury Instructions, the parties
16 agreed that "between October 1, 2002 [the date the '042 patent
17 issued], and June 30, 2003, it is roughly estimated that defendant
18 has or will have processed in the United States approximately
19 300,000 applications." Jury Instr. at p. 47. Because of the
20 stipulation, plaintiff contends that the jury awarded damages only
21 for the period up to June 30, 2003, and thus, its proposed
22 Supplemental Count One seeks damages from that date forward.

23 Defendant responds that while the number of processed
24 applications was calculated only through June 30, 2003, there was
25 nothing in the Jury Instructions, Verdict Form, or any other Court
26 document, limiting the calculation of damages to that date.
27 Plaintiff was free to seek damages for the period of time through
28 the end of trial.

1 I agree with defendant. While the stipulated number of
2 processed applications provided the measurement of damages through
3 the June 30, 2003 date, there was no reason why plaintiff could not
4 have put on evidence in some manner proving or projecting the
5 number of processed applications through the end of trial. As long
6 as the projected number was not purely speculative, it could have
7 served as the basis for the jury's assessment of damages through
8 the date of the verdict, September 9, 2003. Thus, while I agree
9 that Supplemental Count One should be allowed, it is allowed only
10 to the extent that it seeks damages from September 10, 2003, to the
11 present. This is a matter of proof for trial and does not preclude
12 the filing of the Supplemental Complaint.

13 Defendant concedes that damages for infringement of the '042
14 patent should be subject to an accounting from September 10, 2003,
15 up to September 18, 2005, when, as alleged by defendant, it
16 implemented a design change in the infringing product to render it
17 non-infringing. Defendant contends that an accounting should
18 follow a trial on the pending invalidity claims because a jury
19 determination of invalidity of the '042 patent would moot the need
20 for an accounting. While accurate, defendant's position creates
21 the potential for inefficiency.

22 As proposed by defendant, should a jury determine that the
23 '042 patent is valid, an entirely separate proceeding would need to
24 be convened to determine the infringement damages beginning
25 September 10, 2003, to at least September 18, 2005. While the
26 focus of the invalidity trial is on the invalidity claims, they
27 likely cannot be adjudicated in a vacuum and thus, that trial will
28 include evidence regarding the invention of the '042 patent and the

1 infringing system. Similarly, in a separate action to determine
2 damages, while the focus will be on the number of processed
3 applications during the relevant time period, there will likely be
4 some introductory presentation of evidence regarding the invention
5 of the '042 patent and the infringing system. Thus, if the patent
6 is found to be valid, defendant's proposal creates the need for two
7 separate presentations of overlapping evidence to two separate
8 factfinders. This would be a waste of judicial and litigant
9 resources. The claim for damages set forth in Supplemental Count
10 One is to be tried simultaneously with defendant's invalidity
11 affirmative defenses and counterclaims.

12 As for the time period commencing September 18, 2005,
13 defendant contends its product, incorporating a design change, no
14 longer infringes the '042 patent. Thus, before any damages can be
15 assessed for that period following September 18, 2005, liability
16 must first be established. If the factfinder determines that the
17 allegedly new design infringes, damages will need to be assessed.

18 Supplemental Count Two seeks enhanced damages for alleged
19 willful infringement beginning August 2, 2005, the date the Federal
20 Circuit issued its Opinion reversing the claim construction upon
21 which the JMOL of non-infringement was based. Defendant opposes
22 the addition of this claim on the basis that its September 2005
23 design change conclusively shows its good faith attempt to avoid
24 infringement. Additionally, defendant argues that its good-faith
25 belief in the invalidity of the '042 patent, which it asserts has
26 been bolstered by the Federal Circuit's opinion, is sufficient to
27 avoid a claim for willfulness.

28 The problem with defendant's arguments is that they are

1 directed to the merits of the willfulness claim and are not
2 appropriate bases on which to deny the motion to supplement.
3 Willfulness will be determined based on several factors. Following
4 that determination, the Court will determine whether to enhance
5 damages, based on all the facts and circumstances. At this stage
6 in the proceedings, all of the relevant facts and circumstances
7 regarding defendant's conduct post-August 2, 2005, and regarding
8 defendant's design change and allegedly non-infringing product
9 post-September 18, 2005, are not in the record and certainly are
10 not before a factfinder.

11 Accepting defendant's argument would require me to conclude
12 that plaintiff fails to state a claim or that some evidence already
13 in the record or prior adjudication in the case makes the claim
14 futile. Plaintiff's Supplemental Count Two meets the standards for
15 notice pleading, fairly states a claim, and is not futile. Thus,
16 I allow the motion as to Supplemental Count Two.

17 CONCLUSION

18 Plaintiff's motion to supplement (532) is granted. Plaintiff
19 shall file its Supplemental Complaint within ten (10) days of the
20 date of this Opinion & Order. Defendant shall file a responsive
21 pleading within twenty days of the filing of the Supplemental
22 Complaint.

23 IT IS SO ORDERED.

24 Dated this 2nd day of February, 2006

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26
27 /s/ Dennis James Hubel
28 Dennis James Hubel
United States Magistrate Judge

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8 - OPINION & ORDER